THE TORONTO IRON WORKS, LIMITED

ANNUAL REPORTS

1967 and 1968

SUMMARY

	1968	1967 (SEE NOTE)	1966 (SEE NOTE)
Number of Shares outstanding	401,568	401,568	401,568
Consolidated Profit (Loss) before extraordinary items	$414,896	($281,983)	$683,532
Per Share	$1.03	($ .70)	$1.70
Consolidated Net Profit (Loss) after extraordinary items	$640,076	($6,730,669)	$1,000,532
Per Share	$1.59	($16.76)	$2.49
Working Capital (Deficit) end of year	($431,332)	($2,786,849)	$214,816
Retained Earnings (Deficit) end of year	($58,918)	($698,994)	$6,167,204

NOTE: Certain income tax recoveries included in the 1966 and 1967 operating results have been reclassified as extraordinary items on a basis consistent with the method of presentation followed in 1968.

DIRECTORS

J. B. Clements, Q.C. • H. Johnston • G. B. Kimpton • W. P. Petrie • L. R. Wright

OFFICERS

L. R. Wright, B. Comm. – Executive Vice-President and Chief Executive Officer

W. P. Petrie, C.A., B. Comm., R.I.A. – Vice-President and Treasurer

D. M. Cameron – Vice-President and General Manager – Central Bridge Division

G. F. Carr – Vice-President and Assistant General Manager – Plate Fabrication Division

S. L. Kerby, B. Eng., P. Eng. – Vice-President and Assistant General Manager – Plate Fabrication Division

J. B. Clements, Q.C. – Secretary

H. Johnston – Comptroller

THE TORONTO IRON WORKS LIMITED

629 EASTERN AVENUE, TORONTO 8, CANADA (416) 461-8111

DIRECTORS' REPORT

To the Shareholders:

Your directors submit herewith the consolidated financial statements of your Company and its subsidiary T.I.W. Western Limited for the year ended December 31, 1968 together with the consolidated financial statements of your Company and T.I.W. Western Limited for the year ended December 31, 1967.

The consolidated financial statements for the year ended December 31, 1966 were included in the last Annual Report of your Company, mailed to shareholders in April, 1967.

Review of the Year 1967:

In early 1966 the Company embarked on an extensive capital expenditure programme including the acquisition ofand expansion of the facilities of subsidiaries.

By late 1967 the Company and certain of its subsidiaries were unable to meet their liabilities as they became due and bank support was withdrawn on December 11, 1967. As a consequence a petition in bankruptcy was filed against the Company on December 29, 1967 and The Clarkson Company Limited was appointed interim receiver.

Operating losses of $281,983 were incurred in 1967 on sales of $15,966,434. After providing for extraordinary items, including a provision of $6,533,686 for losses on investments in and advances to subsidiaries and on the sale of the assets of the Stran-Steel Division, the total net loss for the year amounted to $6,730,669.

The Central Bridge Division of the Company experienced substantial losses on two major contracts which were closed out during

continued....

the first part of 1967 and the Company was not able to recoup these losses during the remaining months of the year. In addition, continuing labour unrest in the general construction industry hampered efficient operation in the Central Bridge Division as well as in the Plate Fabrication Division.

Early in 1968 receiving orders were made against Wimco Steel Sales Co. Limited, Driam Pipe (Canada) Limited and Pre-Engineered Steel Buildings Inc., all of which were wholly owned subsidiaries of the Company.

Wimco Steel Sales Co. Limited is now continuing in operation under the supervision of a Receiver and Manager appointed under the provisions of its outstanding debentures. Since it is impossible to estimate the recovery, if any, which may be received from this subsidiary, the investment has been written down to $1 and a loss on the write-off of $3,499,999 is reflected in the statement of income for the year 1967. Wimco Steel Corporation of Cheektowaga, New York, a wholly owned subsidiary of Wimco Steel Sales Co. Limited, was sold in 1968 with a resulting substantial write-off in investments in and advances to it by Wimco Steel Sales Co. Limited.

The shares of Driam Pipe (Canada) Limited were sold in August, 1968 and a recovery of $911,538 was realized. The loss on the sales of the shares and on advances to Driam Pipe (Canada) Limited amounted to $2,385,177, against which an estimated provision was made in the statement of income in 1967 of $2,436,715.

The assets of Pre-Engineered Steel Buildings Inc. were sold by its Trustee in bankruptcy. No recovery will be realized from this subsidiary and a loss of $327,745 was provided for in the statement of income for the year 1967.

The fixed assets and inventory of the Stran-Steel Division of the Company were sold in 1968. The loss on this sale amounted to $599,486 which was provided for in the statement of income for the year 1967.

continued ....

Review of the Year 1968

Since December 29, 1967 your Company has operated in interim receivership.

Operating profit for 1968 was $414,896 after deducting depreciation at regular rates and full corporate income taxes of $429,000. Sales amounted to $14,731,906. After extraordinary items consisting of tax reductions of $421,500, the additional recovery of advances to a subsidiary of $51,538 and the provision for estimated fees of interim receiver and costs of other professional services of $247,858, the net profit for the year amounted to $640,076.

The working capital deficit at December 31, 1968 was $431,332 compared to a working capital deficit at December 31, 1967 of $2,786,849, an improvement of $2,355,517.

As a result of the consolidated net profit after extraordinary items of $640,076, the deficit was reduced from $698,994 to $58,918 by December 31, 1968.

During 1968 commitments for fixed assets were cancelled wherever possible and every effort was made to increase operating efficiency. Both the Central Bridge Division and the Plate Fabrication Division were subject to severe price competition and loss of business due to the general financial state of the Company.

Directors:

During the years 1967 and 1968 changes occurred in the board of directors of the Company as shown on page 5 of this report.

Outlook:

Conditions in both the structural steel and plate fabrication industries remain very competitive. The Company anticipates a reasonable volume of work during 1969 and, provided there is no undue labour unrest in the general construction industry, expects to operate profitably.

The Company intends to make an arrangement as soon as possible with those unsecured creditors who had claims outstanding as at December 29, 1967.

continued....

The year 1968 has been a most difficult one for all the employees of your Company and the substantial financial improvement achieved during the year was due in great part to their diligent efforts and continued loyalty. In addition, the directors of your Company were most gratified with the strong support of long-standing customers and the co-operation given it by its bankers, creditors and interim receiver.

ON BEHALF OF THE BOARD

L. R. Wright

L. R. Wright

February 25, 1969

629 EASTERN AVENUE, TORONTO 8, CANADA (416) 461-8111

DIRECTORS

The following changes in directors took place during the years 1967 and 1968:

Name	Elected or Appointed	Resigned
G. E. Ellsworth	December 31, 1935	December 31, 1967
Murray Wortsman	January 10, 1966	December 19, 1967
Irving Wortsman	January 10, 1966	December 19, 1967
Morris Seigel	January 10, 1966	December 19, 1967
Leonard Eisen	January 10, 1966	January 18, 1968
W. A. Macdonald, Q.C.	April 20, 1967	February 20, 1968
E. A. Goodman, Q.C.	January 10, 1966	May 23, 1968
A. E. Diamond	April 20, 1967	May 23, 1968
D. B. Goodman, Q.C.	December 19, 1967	May 23, 1968
G. J. Shear	December 19, 1967	May 23, 1968
L. H. Schipper	January 18, 1968	May 23, 1968
Harry Johnston	April 9, 1968	July 5, 1968
R. C. Nurse	July 19, 1968	August 13, 1968
Benton Dixon	April 9, 1956	October 15, 1968
J. B. Clements, Q.C.	April 6, 1964	--
L. R. Wright	December 19, 1967	--
W. P. Petrie	March 28, 1968	--
G. B. Kimpton	July 19, 1968	--
Harry Johnston	October 18, 1968	--

THE TORONTO IRON WORKS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1968

Clarkson, Gordon & Co.

Chartered Accountants

15 Wellington Street West, Toronto 1, Canada

Halifax Saint John Quebec Montreal Ottawa
Toronto Hamilton Kitchener London Windsor
Port Arthur Fort William Winnipeg Regina
Calgary Edmonton Vancouver Victoria

Arthur Young, Clarkson, Gordon & Co.
United States—Brazil

Telephone 368-2751 (Area Code 416)

AUDITORS' REPORT

To the Shareholders of
The Toronto Iron Works, Limited:

We have examined the consolidated balance sheet of The Toronto Iron Works, Limited and its subsidiary company, T.I.W. Western Limited, as at December 31, 1968 and the consolidated statements of income, deficit and source and disposition of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

As explained in the notes to the consolidated financial statements, the accounts of the Company and its consolidated subsidiary have been prepared on a going-concern basis. Accordingly the statements do not reflect any losses which would be incurred if the Company should be adjudged bankrupt and liquidation of its assets should take place nor, in the alternative, any adjustments which might be required if an arrangement is made with those unsecured creditors having claims outstanding at December 29, 1967, (notes 2, 3 and 8). As further explained in note 9 to the statements, there exist material contingent assets and liabilities, the effect of which cannot be determined at this time.

In view of the materiality of the matters mentioned in the preceding paragraph, we are unable to express an opinion on the consolidated financial statements of the Company taken as a whole for the year ended December 31, 1968. It is our opinion, however, that the assets and liabilities (other than those assets or liabilities which may result from the matters mentioned in the preceding paragraph) and capital stock are presented fairly in the consolidated balance sheet as

at December 31, 1968 and that the sales and other items of income and expense (other than those gains or losses which may result from the matters mentioned in the preceding paragraph) are presented fairly in the consolidated statements of income and deficit for the year ended December 31, 1968. Also, in our opinion, the funds generated and the disposition of funds (other than any funds which may arise or be disposed of as a result of the matters mentioned in the preceding paragraph) are presented fairly in the consolidated statement of source and disposition of funds for the year ended December 31, 1968. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, after giving effect to the reclassification of accounts referred to in note 7.

We further report that The Clarkson Company Limited, the interim receiver appointed by the Court (note 2), is associated with our firm.

Clarkson, Gordon & Co.

Chartered Accountants

Toronto, Canada,
February 19, 1969.

THE TORONTO IRON
and its subsidiary compan
(Incorporated under

CONSOLIDATED

DECEMBER
(with comparative figures

ASSETS

		1968	1967
CURRENT:			
Cash (note 5)		$ 128,506	$ 4,579
Bank deposit receipts		1,050,000	-
Accounts receivable, including holdbacks		2,135,697	3,476,648
Inventories, at lower of cost or net realizable value -			
Contracts in process (less advance billings - 1968 - $874,867; 1967 - $3,308,128)	475,093		1,033,720
Steel and supplies	564,027		994,215
		1,039,120	2,027,935
Prepaid expenses		103,354	135,543
Total current assets		4,456,677	5,644,705
INVESTMENT in and advances to unconsolidated subsidiary companies (notes 1, 2 and 4)		1	1,110,001
FIXED:			
Land, buildings and equipment, at cost		7,696,795	9,200,590
Less accumulated depreciation and allowance of $476,462 at December 31, 1967 for losses on realization		4,712,979	4,938,876
		2,983,816	4,261,714
		$7,440,494	$11,016,420

On behalf of the Board:

Director L. R. Wright

Director W Peters

(See accompanying notes to the co

WORKS, LIMITED
T.I.W. Western Limited
he laws of Ontario)

ALANCE SHEET

1, 1968
as at December 31, 1967)

LIABILITIES

	1968	1967
CURRENT:		
Bank indebtedness - secured (note 5)	-	$ 3,266,995
Accounts payable and accrued charges (note 6)	$4,765,339	4,886,020
Sales, and other taxes payable (note 7)	122,670	278,539
Total current liabilities	4,888,009	8,431,554
LONG-TERM DEBT less current portion of $726,275 in 1967 included above in accounts payable	-	628,457
EXCESS of net book value of consolidated subsidiary over cost of shares	74,992	74,992
MINORITY INTEREST	6,000	50,000
SHAREHOLDERS' EQUITY:		
Capital stock -		
Authorized:		
1,000,000 shares without par value		
Issued:		
401,568 shares	2,530,411	2,530,411
Deficit	(58,918)	(698,994)
	2,471,493	1,831,417
	$7,440,494	$11,016,420

onsolidated financial statements)

THE TORONTO IRON WORKS, LIMITED

CONSOLIDATED STATEMENTS OF INCOME AND DEFICIT

FOR THE YEAR ENDED DECEMBER 31, 1968
(with comparative figures for 1967)

INCOME

	1968	1967
Sales	$14,731,906	$15,966,434
Operating profit for the year before the following deductions:	$ 1,385,587	$ 254,229
Depreciation	493,429	674,463
Interest on long-term debt	17,577	86,161
Pension costs	30,685	26,588
	541,691	787,212
Profit before income taxes and extraordinary items	843,896	(532,983)
Income taxes (note 7)	429,000	(251,000)
Profit (loss) before extraordinary items	414,896	(281,983)
Extraordinary items:		
Estimated fees of interim receiver and costs of other professional services relating to the interim receivership ($247,858) - less resulting income tax reduction of $117,000	(130,858)	
Provision for loss (recovery in 1968) on investment in and advances to unconsolidated subsidiary companies and on the sale of certain divisional assets - less resulting reduction in deferred income taxes of $330,259 in 1967 (notes 2 and 4)	51,538	(6,533,686)
Income tax reductions resulting from the carry-forward of losses of prior years (note 7)	304,500	85,000
Net profit (loss) for the year	$ 640,076	$(6,730,669)

DEFICIT

	1968	1967
Retained earnings (deficit), beginning of year	$ (698,994)	$ 6,167,204
Net profit (loss) for the year	640,076	(6,730,669)
	58,918	(563,465)
Dividends - 33.75¢ per share	-	135,529
Deficit, end of year	$ (58,918)	$ (698,994)

(See accompanying notes to the consolidated financial statements)

THE TORONTO IRON WORKS, LIMITED

CONSOLIDATED STATEMENT OF SOURCE AND DISPOSITION OF FUNDS

FOR THE YEAR ENDED DECEMBER 31, 1968
(with comparative figures for 1967)

	1968	1967
SOURCE OF FUNDS:		
Operations -		
Net profit (loss) for the year	$ 640,076	$(6,730,669)
Add amounts deducted in arriving at net profit or loss which did not involve an outlay of funds:		
Depreciation	493,429	674,463
Investment in and advances to subsidiary companies written off	-	6,142,510
Provision for loss on sale of fixed assets of the Stran-Steel Division	-	351,236
Recovery of deferred income taxes	-	(158,259)
Total funds from operations	1,133,505	279,281
Realization of advances to subsidiary companies	1,110,000	-
Proceeds from disposal of fixed assets (net)	784,469	-
	3,027,974	279,281
DISPOSITION OF FUNDS:		
Decrease in long-term debt	628,457	262,942
Redemption of preference shares of T.I.W. Western Limited held by minority shareholder	44,000	200,000
Expenditures on fixed assets (net)	-	783,374
Advances to subsidiary companies	-	1,899,101
Dividends paid	-	135,529
	672,457	3,280,946
Increase in working capital	2,355,517	(3,001,665)
Working capital (deficit), beginning of year	(2,786,849)	214,816
Working capital deficit, end of year	$ (431,332)	$(2,786,849)

(See accompanying notes to the consolidated financial statements)

THE TORONTO IRON WORKS, LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1968

1. Basis of consolidation

The accounts of the Company have been consolidated with those of its subsidiary, T.I.W. Western Limited. The investment in the remaining subsidiary, Wimco Steel Sales Co. Limited, is carried in the accounts at $1 as explained in note 2.

2. Petitions in bankruptcy

On December 29, 1967 a petition in bankruptcy was filed against the Company by a creditor and The Clarkson Company Limited was appointed interim receiver. To February 19, 1969, the petition has not been heard by the Court pending development of plans by the Company to make a proposal to its creditors.

Concurrently, petitions were filed against three subsidiary companies, Driam Pipe (Canada) Limited, Wimco Steel Sales Co. Limited and Pre-Engineered Steel Buildings, Inc. The latter two companies have since been adjudged bankrupt. There was no recovery from Pre-Engineered Steel Buildings, Inc. and accordingly the investment in that Company was completely written off in the accounts in 1967. The investment in shares of Wimco Steel Sales Co. Limited was written down to $1 in 1967 and it is currently still impossible to determine the recovery, if any, from that investment. Reference is made in note 4 to the disposition of the investment in Driam Pipe (Canada) Limited.

3. Going-concern basis

Notwithstanding the petition in bankruptcy against the Company, which petition has not yet been heard, the accounts of the Company have been prepared on a going-concern basis.

4. Sale of division and subsidiary company

In 1968, with the approval of the Court -

(a) the Stran-Steel Division was sold, and

(b) the shares of Driam Pipe (Canada) Limited were disposed of and a proposal to its creditors was made by that company.

Full provision for the estimated losses on these transactions was reflected in the 1967 financial statements. The actual losses proved to be $51,538 less than the amounts provided and this is shown as a recovery in 1968.

5. Bank indebtedness

The interim receiver has authority to borrow up to $3,000,000 on the security of interim receiver's certificates issued with the authority of the Court. These certificates effectively give the bankers a first lien on all the Company's assets to value of such certificates. At December 31, 1968, there remains substantial bank indebtedness the payment of which has been secured by cash deposits of equal amount in cash collateral accounts with the Company's bankers. For financial statement purposes, these amounts have been offset.

6. Accounts payable

Accounts payable and accrued charges at December 31, 1968 include $3,911,728 incurred prior to the interim receivership.

7. Income taxes

In 1968, income tax reductions resulting from the carry-forward for tax purposes of prior years' losses have been classified as extraordinary items in the statement of income. Similar reductions included in the 1967 operating results have been reclassified on a basis consistent with that followed in 1968. The unused loss carry-forward for tax purposes cannot be accurately determined at this time but is estimated to be approximately $500,000 at December 31, 1968.

8. Events subsequent to December 31, 1968

In its financial statements for the year ended December 31, 1967, the Company indicated its intention to make a Proposal under Part III of the Bankruptcy Act to its unsecured creditors who had claims outstanding at December 29, 1967. The Company is still considering the terms of an arrangement to be made with such creditors, details of which have not yet been finalized.

9. Contingent assets and liabilities

(a) Since the filing of the petition in bankruptcy referred to in note 2, certain shareholders and others have filed writs alleging various improper actions, as follows:

(i) against a director and a major steel supplier for damages of $10,000,000 and against the director alone for an additional $100,000. The claim would involve the Company in liability only to the extent that it might be required to indemnify the director in the event that the action should succeed against him.

The writ was served on the director on May 17, 1968 but no statement of claim has been received to date. Since the specific allegations are not known, it is impossible to evaluate the liability, if any. The director has stated that the allegations against him in the writ are entirely without basis or foundation.

(ii) against two suppliers and certain of their officers, and against the Company and certain of its directors and former directors, for damages in a derivative action of $9,000,000.

This would not involve the Company in any liability. In the opinion of special counsel for the directors, the action is without merit; the special counsel considers further that the action is improperly brought because of the lack of status of the plantiff.

(b) The Company has made a claim of $531,000 against a customer for additional charges in respect of a construction contract.

(c) A claim for damages has been made against the Company by a customer, which in the opinion of the Company's counsel should not give rise to any significant liability.

(d) A major supplier has claimed an amount of approximately $130,000 for 1968 interest in respect of its trade account outstanding at December 29, 1967. The Company has no satisfactory documentation to support this claim and accordingly has made no provision for this amount in its accounts.

(e) The Company has indemnified Wimco Industries (Eastern) Limited and certain of that Company's shareholders against losses which may arise by reason of certain guarantees given by them in respect of the operations of Wimco Steel Sales Co. Limited. Management, after discussion with counsel, knows of no outstanding guarantees which are likely to lead to any significant liability as a result of such indemnification.

(f) The interim receiver, with the approval of the Court, has entered into agreements secured by interim receiver's certificates which constitute a lien on all the Company's assets, subordinate to any such certificates given to the Company's bankers, as follows:

(i) Indemnifying a bonding company for any losses that might be suffered as a result of performance bonds issued in respect of the Company's new construction contracts and limited in amount to $4,400,000.

(ii) Indemnifying certain directors and officers of the Company, in consideration of their becoming or remaining directors and officers, and agreeing to hold such directors and officers and each of them harmless from and against all damages and costs of suits brought against them and arising out of the performance of their duties at the request of the interim receiver to a total amount of $200,000.

10. Remuneration of directors and officers

The aggregate direct remuneration paid in 1968 by the Company and its subsidiaries to directors and senior officers (as defined by The Corporations Act, Ontario) amounted to $110,482.

THE TORONTO IRON WORKS, LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1967

Clarkson, Gordon & Co.
Chartered Accountants
15 Wellington Street West, Toronto 1, Canada

Halifax Saint John Quebec Montreal Ottawa
Toronto Hamilton Kitchener London Windsor
Port Arthur Fort William Winnipeg Regina
Calgary Edmonton Vancouver Victoria

Arthur Young, Clarkson, Gordon & Co.
United States—Brazil

Telephone 368-2751 (Area Code 416)

AUDITORS' REPORT

To the Shareholders of
The Toronto Iron Works, Limited:

We have examined the consolidated balance sheet of The Toronto Iron Works, Limited and its subsidiary company, T.I.W. Western Limited, as at December 31, 1967 and the consolidated statements of income, deficit and source and disposition of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

As explained in the notes to the consolidated financial statements, the accounts of the Company and its consolidated subsidiary have been prepared on a going-concern basis. Accordingly the statements do not reflect any losses which would be incurred if the Company should be adjudged bankrupt and liquidation of its assets should take place nor, in the alternative, any adjustments which might be required if the creditors should ratify a proposal to be made to them by the Company. (notes 2, 3 and 4(c)). As further explained in note 8 to the statements, there exist material contingent assets and liabilities, the effect of which cannot be determined at this time.

In view of the materiality of the matters mentioned in the preceding paragraph, we are unable to express an opinion on the consolidated financial statements of the Company taken as as a whole for the year ended December 31, 1967. It is our opinion, however, that the assets and liabilities (other than those assets or liabilities which may result from the matters mentioned in the preceding paragraph)

and capital stock are presented fairly in the consolidated balance sheet as at December 31, 1967 and that the sales and other items of income and expense (other than those gains or losses which may result from the matters mentioned in the preceding paragraph) and dividends declared are presented fairly in the consolidated statements of income and deficit for the year ended December 31, 1967. Also, in our opinion, the funds generated from operations and the disposition of funds (other than any funds which may arise or be disposed of as a result of the matters mentioned in the preceding paragraph) are presented fairly in the consolidated statement of source and disposition of funds for the year ended December 31, 1967. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, after giving retroactive effect to the revised basis of consolidation explained in note 1 and the reclassification of accounts referred to in note 6.

We further report that The Clarkson Company Limited, the interim receiver appointed by the Court (note 2), is associated with our firm.

Clarkson, Gordon & Co.
Chartered Accountants

Toronto, Canada,
November 22, 1968.

THE TORONTO IRO
and its subsidiary compa
(Incorporated under

CONSOLIDATED

DECEMBER
(with comparative figures as

ASSETS

	1967	1966
CURRENT:		
Cash	$ 4,579	$ 2,250
Accounts receivable, including holdbacks	3,476,648	4,616,407
Inventories, at lower of cost or net realizable value -		
Contracts in process (less advance billings - 1967 - $3,308,128; 1966 - $1,920,298)	1,033,720	1,055,820
Steel and supplies	994,215	2,432,086
	2,027,935	3,487,906
Prepaid expenses	135,543	192,033
Total current assets	5,644,705	8,298,596
INVESTMENT in and advances to unconsolidated subsidiary companies (notes 1, 2 and 4):		
Shares - 1966 figures at cost -		
Wimco Steel Sales Co. Limited	1	3,500,000
Driam Pipe (Canada) Limited		520,000
Pre-Engineered Steel Buildings, Inc.		40,074
Advances, at estimated realizable value	860,000	918,110
$5\frac{3}{4}$% mortgage receivable	250,000	250,000
	1,110,001	5,228,184
FIXED (note 4):		
Land, buildings and equipment, at cost	9,200,590	8,423,460
Less accumulated depreciation and allowance of $476,462 at December 31, 1967 for losses on realization	4,938,876	3,794,195
	4,261,714	4,629,265
	$11,016,420	$18,156,045

On behalf of the Board:

Director L. R. Wright

Director

(See accompanying notes to the co

WORKS, LIMITED
T.I.W. Western Limited
the laws of Ontario)

BALANCE SHEET

31, 1967
December 31, 1966 - note 1)

LIABILITIES

	1967	1966
CURRENT:		
Bank indebtedness - secured (note 5)	$ 3,266,995	$ 3,931,253
Accounts payable and accrued charges	4,159,745	2,951,547
Income and other taxes payable (including in 1966 deferred income taxes of $508,000 related to holdbacks - note 6)	278,539	829,345
Current portion of long-term debt (note 7)	726,275	326,459
Dividends payable		45,176
Total current liabilities	8,431,554	8,083,780
DEFERRED income taxes (note 6)		158,259
LONG-TERM DEBT (note 7)	628,457	891,399
EXCESS of net book value of consolidated subsidiary over cost of shares	74,992	74,992
MINORITY INTEREST	50,000	250,000
SHAREHOLDERS' EQUITY:		
Capital stock -		
Authorized:		
1,000,000 shares of no par value		
Issued:		
401,568 shares	2,530,411	2,530,411
(Deficit) retained earnings	(698,994)	6,167,204
	1,831,417	8,697,615
	$11,016,420	$18,156,045

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STATEMENT 2

THE TORONTO IRON WORKS, LIMITED

CONSOLIDATED STATEMENTS OF INCOME AND DEFICIT

FOR THE YEAR ENDED DECEMBER 31, 1967
(with comparative figures for 1966 - note 1)

INCOME

	1967	1966
Sales	$15,966,434	$21,687,669
Operating profit for the year before the following deductions:	$ 254,229	$ 1,832,094
Depreciation	674,463	322,802
Interest on long-term debt	86,161	63,156
Pension costs	26,588	42,604
	787,212	428,562
Profit (loss) before income taxes and extraordinary items	(532,983)	1,403,532
Recovery of (provision for) deferred income taxes (note 6)	336,000	(403,000)
Profit (loss) before extraordinary items	(196,983)	1,000,532
Extraordinary items:		
Investment in and advances to subsidiary companies written off (notes 1, 2 and 4) -		
Wimco Steel Sales Co. Limited	3,499,999	
Driam Pipe (Canada) Limited	2,436,715	
Pre-Engineered Steel Buildings, Inc.	327,745	
Provision for loss on sale of assets of the Stran-Steel Division	599,486	
	6,863,945	
Less resulting recovery of balance of deferred income taxes (note 6)	330,259	
	6,533,686	
Net (loss) profit for the year	$(6,730,669)	$ 1,000,532

DEFICIT

	1967	1966
Retained earnings, beginning of year	$ 6,167,204	$ 5,375,784
Deduct share of retained earnings of Driam Pipe (Canada) Limited consolidated at December 31, 1965 (note 1)		38,934
	6,167,204	5,336,850
Net (loss) profit for the year	(6,730,669)	1,000,532
	(563,465)	6,337,382
Less dividends declared - 33.75¢ per share in 1967 and 45¢ in 1966	135,529	170,178
(Deficit) retained earnings, end of year	$ (698,994)	$ 6,167,204

(See accompanying notes to the consolidated financial statements)

STATEMENT 3

THE TORONTO IRON WORKS, LIMITED

CONSOLIDATED STATEMENT OF SOURCE AND DISPOSITION OF FUNDS

FOR THE YEAR ENDED DECEMBER 31, 1967
(with comparative figures for 1966 - note 1)

	1967	1966
SOURCE OF FUNDS:		
Operations -		
Net (loss) profit for the year	$(6,730,669)	$1,000,532
Add amounts deducted in arriving at net profit or loss which did not involve an outlay of funds:		
Depreciation	674,463	322,802
Provision for (recovery of) deferred income taxes (portion applicable to non-current items)	(158,259)	41,000
Investment in and advances to subsidiary companies written off -		
Wimco Steel Sales Co. Limited	3,499,999	
Driam Pipe (Canada) Limited	2,314,766	
Pre-Engineered Steel Buildings, Inc.	327,745	
Provision for loss on sale of fixed assets of the Stran Steel Division	351,236	
Total funds from operations	279,281	1,364,334
Increase in long-term debt		891,399
	279,281	2,255,733
DISPOSITION OF FUNDS:		
Expenditures on fixed assets (net)	783,374	3,837,298
Advances to subsidiary companies -		
Driam Pipe (Canada) Limited	1,615,583	913,957
Pre-Engineered Steel Buildings, Inc.	287,671	
Wimco Steel Sales Co. Limited	(4,153)	4,153
Amounts paid for net assets and minority interests in subsidiary companies (including goodwill)		3,760,074
Less portion satisfied by issue of capital stock		(2,318,236)
Decrease in long-term debt	262,942	
Redemption of preference shares of T.I.W. Western Limited held by minority shareholder	200,000	
Dividends paid	135,529	170,178
	3,280,946	6,367,424
Decrease in working capital	3,001,665	4,111,691
Working capital, beginning of year	214,816	4,326,507
Working capital (deficit), end of year	$(2,786,849)	$ 214,816

(See accompanying notes to the consolidated financial statements)

THE TORONTO IRON WORKS, LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1967

1. Basis of consolidation

The accounts of the Company have been consolidated with those of its subsidiary T.I.W. Western Limited. In the 1966 consolidated financial statements previously presented to shareholders, the accounts of Wimco Steel Sales Co. Limited (acquired during 1966) and its subsidiary companies, and Driam Pipe (Canada) Limited were included in the consolidation. In view of the matters discussed in note 2, these companies have not been so included in the 1967 consolidated statements and the comparative figures for 1966 have been revised to conform with the 1967 presentation.

The effect of this change has been to reflect the investment in Wimco Steel Sales Co. Limited and Driam Pipe (Canada) Limited on a "cost" rather than a "consolidated" basis. As a result, provision is not made in the 1966 figures for the losses of unconsolidated subsidiaries totalling $99,629 and 1966 net profit is greater by that amount than consolidated net profit previously reported; similarly, the consolidated shareholders' equity at December 31, 1966 does not provide for accumulated net losses of subsidiaries of $60,695 and is therefore higher by that amount than the balance previously reported.

2. Petitions in bankruptcy

On December 29, 1967 a petition in bankruptcy was filed against the Company by a creditor; The Clarkson Company Limited was appointed interim receiver and has authority to borrow $3,000,000 on the security of the Company's assets. (To November 22, 1968, the petition has not been heard by the Court pending development of plans by the Company to make a proposal to its creditors.)

Concurrently, petitions were filed against three subsidiaries, Driam Pipe (Canada) Limited, Wimco Steel Sales Co. Limited and Pre-Engineered Steel Buildings, Inc. The latter two companies have since been adjudged bankrupt. It is estimated that there will be no recovery from Pre-Engineered Steel Buildings, Inc. and accordingly the investment in this Company has been completely written off in the accounts. It is currently impossible to determine the recovery from the Company's investment in shares of Wimco Steel Sales Co. Limited and accordingly the investment in this Company has been written down to $1. Reference is made in note 4 to the disposition of the investment in Driam Pipe (Canada) Limited.

3. Going concern basis

Notwithstanding the petition in bankruptcy against the Company, which petition has not yet been heard, the accounts of the Company and its consolidated subsidiary have been prepared on a going concern basis.

4. Events subsequent to December 31, 1967

Since December 31, 1967, the following significant events have occurred or are pending:

(a) The Stran-Steel Division, with the approval of the Court, has been sold and full provision for the loss has been reflected in the accompanying financial statements. As part of the sale arrangements, the $5\frac{3}{4}\%$ mortgage of $250,000 and fixed assets having a net carrying value of $225,000, shown in the balance sheet, are to be converted to cash in 1968. As part of the transaction, the company also sold inventories but retained all accounts receivable as at closing.

(b) The shares of Driam Pipe (Canada) Limited, with the approval of the Court, have been disposed of and a proposal to creditors was made by that Company. Full provision for the estimated loss of $2,436,715 on the investment in Driam has been reflected in the accompanying financial statements, including a loss of $121,949 on the cancellation of a machinery installation contract and $125,226 representing a write-down of fixed assets transferred to Driam. (Fixed assets, formerly leased to Driam, which have a net carrying value of $591,399 after the write-down referred to, together with the related $6\frac{3}{4}\%$ mortgage of like amount, were transferred to Driam.)
As a result of the proposal referred to above, the amount of $860,000 is shown as "advances, at estimated realizable value". This amount was converted to cash in 1968.

(c) The Company intends to make a proposal to its creditors under Part III of the Bankruptcy Act, the details of which have not been finalized.

(d) No provision has been made in the accompanying financial statements for costs in connection with the reorganization of the Company subsequent to December 31, 1967.

5. Bank indebtedness

Bank indebtedness at December 29, 1967 was secured by an assignment of the accounts receivable and a pledge of the inventories. The operations of the Company since that date have been financed by the Company's bankers on the security of interim receiver's certificates issued with the approval of the Court; these certificates effectively give the bankers a first lien on all the Company's assets to the value of such certificates.

6. Deferred income taxes

Deferred income taxes relating to 1966 and prior years have been eliminated in 1967 as a result of losses incurred during the year. The 1966 comparative deferred income tax figures have been reclassified to conform with the form of presentation adopted in 1967.

7. Long-term debt

	Amount outstanding December 31, 1967	Current portion	Long-term portion
$6\frac{3}{4}\%$ mortgage payable in monthly instalments to May 31, 1973 (note 4(b))	$ 591,399	$ 28,275	$563,124
$6\frac{1}{4}\%$ equipment purchase contract payable in equal monthly instalments to August 23, 1969	163,333	98,000	65,333
7% unsecured notes due in instalments on December 31, 1967 (unpaid) and 1968	600,000	600,000	∅
	$1,354,732	$726,275	$628,457

8. <u>Contingent assets and liabilities</u>

(a) Since the filing of the petition in bankruptcy referred to in note 1, certain shareholders and others have filed writs alleging various improper actions, as follows:

(i) against a director and a major steel supplier for damages of \$10,000,000 and against the director alone for an additional \$100,000. The claim would involve the Company in liability only to the extent that it might be required to indemnify the director in the event that the action should succeed against him. The writ was served on the director on May 17, 1968 but no statement of claim has been received to date. Since the specific allegations are not known, it is impossible to evaluate the liability, if any. The director has stated that the allegations against him in the writ are entirely without basis or foundation.

(ii) against two suppliers and certain of their officers, and against the Company and certain of its directors and former directors, for damages in a derivative action of \$9,000,000. This would not involve the Company in any liability. In the opinion of special counsel for the directors, the action is without merit; the special counsel considers further that the action is improperly brought because of the lack of status of the plaintiff.

(b) The Company has made a claim of \$531,000 against a customer for additional charges in respect of a construction contract.

(c) A claim for damages has been made against the Company by a customer which in the opinion of the Company's counsel should not give rise to any significant liability.

(d) The Company has indemnified Wimco Industries (Eastern) Limited and certain of that Company's shareholders against losses which may arise by reason of any guarantee given by them in respect of the operations of Wimco Steel Sales Co. Limited. Management, after discussion with counsel, knows of no outstanding guarantees which are likely to lead to any significant liability as a result of such indemnification.

(e) Subsequent to the year-end, the interim receiver, with the approval of the Court, entered into agreements secured by interim receiver's certificates as follows:

(i) indemnifying a bonding company for any losses that might be suffered as a result of performance bonds to be issued in respect of the Company's new construction contracts. The agreements are limited in amount to $4,400,000 and are secured by interim receiver's certificates issued with the approval of the Court. These certificates effectively are a lien on all the Company's assets, subordinate to the certificates referred to in note 5 above.

(ii) indemnifying certain directors and officers of the Company, in consideration of their becoming or remaining directors and officers, and agreeing to hold such directors and officers and each of them harmless from and against all damages and costs of suits brought against them and arising out of the performance of their duties at the request of the interim receiver to a total amount of $200,000.

9. Remuneration of directors and officers

The aggregate direct remuneration paid in 1967 by the Company and its consolidated subsidiary to directors and senior officers (as defined by The Corporations Act, Ontario) amounted to $134,459; in addition, $153,000 was paid by unconsolidated subsidiaries.

THE TORONTO IRON WORKS, LIMITED

629 Eastern Avenue, Toronto, Canada

DIVISIONS AND SUBSIDIARIES

Central Bridge Division, Trenton, Ontario

Driam Pipe (Canada) Limited, Horner Avenue, Toronto, Ontario

Plate Fabrication Division, Eastern Avenue, Toronto, Ontario

Pre-Engineered Steel Buildings, Inc., St. Eustache, Quebec

Stran-Steel Canada Division, Richmond Hill, Ontario

Wimco Steel Sales Co. Limited, Martin Grove Road, Rexdale, Ontario

Wimco Steel Corporation, Cheektowaga, New York

THE TORONTO IRON WORKS, LIMITED

SEMI-ANNUAL REPORT

for the six months ended June 30, 1967

SEMI-ANNUAL REPORT

for the six months ended June 30, 1967

TO THE SHAREHOLDERS:

As shown in the accompanying unaudited financial summary, your Company incurred a net loss for the six month period ended June 30, 1967 in the amount of $384,000 compared with a profit of $150,000 during the same period a year earlier. Sales during the first six months of 1967 amounted to $11,956,000 compared with $8,378,000 for the first six months of 1966.

The Company's loss position for the six month period ended June 30, 1967 was partially caused by continuing labor unrest in the construction industry which hampered efficient operations in both our Plate Fabrication and Central Bridge Divisions. In addition, substantial losses were experienced by our Central Bridge Division on two major contracts. One of these contracts was completed in June and the other will be closed out this month. Full provision has been made for the total loss on both contracts in the six month financial report.

Investment in new plant and production equipment amounted to $1,365,000 during the first six months of 1967. The expected contribution to earnings by these assets did not materialize due to delays in delivery, installation and start-up. It is anticipated that earnings from these new facilities will be realized later this year. Full depreciation is being charged even though these production facilities are not yet making a contribution to earnings.

The Company's policy is to record sales and earnings on projects only when the contracts are completed. As this is the first semi-annual report by The Toronto Iron Works, Limited, it should be pointed out that historically, a higher percentage of projects are completed during the second half of each year. Accordingly, we expect the second half to show increased sales volume.

While the results of the first six months have been disappointing, your management is confident that operating results during the last half of 1967 will be profitable.

G.E. ELLSWORTH
President

August 28, 1967

CONSOLIDATED EARNINGS

(Six months ended June 30)	1967	1966
	(Thousands of dollars)	
	(note 1)	(note 1)
Net Sales	$11,956	$8,378
Depreciation	558	183
Earnings (loss) before income taxes (note 2)	(528)	344
Provision for (recovery) deferred income taxes	(144)	194
Consolidated net profit (loss) (note 2)	(384)	150

CONSOLIDATED SOURCE AND APPLICATION OF FUNDS

(Six months ended June 30)	1967	1966
	(Thousands of dollars)	
FUNDS WERE PROVIDED BY:		
Operations	$ 48	$ 503
Advances from affiliates	—	468
Long term debt	—	794
Total	$ 48	$1,765
FUNDS WERE APPLIED TO:		
Fixed Asset additions—net	$ 1,365	$2,764
Acquisition of subsidiary companies	—	334
Repayment of long term debt—net	216	—
Adjustment re: prior years	241	—
Payment of dividends	90	80
Total	$ 1,912	$3,178
WORKING CAPITAL (DEFICIT)		
As of June 30	$ (441)	$3,003

NOTE 1

The 1967 figures include the accounts of The Toronto Iron Works, Limited, and its subsidiary companies—Driam Pipe (Canada) Limited, T.I.W. Western Limited, Pre-Engineered Steel Buildings, Inc., and Wimco Steel Sales Co. Limited and its subsidiary companies. The comparative 1966 figures do not include the accounts of T.I.W. Western Limited and Pre-Engineered Steel Buildings, Inc., as control of these companies was not acquired until after June 30, 1966; the accounts of Wimco Steel Sales Co. Limited are included only from April 1, 1966, the effective date of its acquisition.

NOTE 2

The 1967 figures exclude an adjustment for losses relating to the 1966 fiscal period in an estimated amount of $230,000, ($111,000 net of tax recovery). Certain costs have been allocated to contracts completed in 1966 but the adjustment was not determined until the completion of related contracts in 1967.